



City of Seattle
Human Services Department

DATE: April 20, 2012

TO: Housing, Human Services, Health and Culture Committee
Councilmember Nick Licata, Chair
Councilmember Sally Bagshaw
Councilmember Bruce Harrell

FROM: Dannette R. Smith
Director

Michael Look
CDBG Administrator

SUBJECT: 2012 Substantial Amendment to the Consolidated Plan

At your April 25th meeting, staff from the Community Development Block Grant Administration Unit of the Human Services Department will brief you on proposed legislation regarding the 2012 funding amounts for the following federal programs:

- Community Development Block Grant (CDBG)
- HOME Investment Partnership
- Emergency Solutions Grant Program (ESG)
- Housing Opportunities for Persons with AIDS (HOPWA)

Collectively these four programs are known as the Consolidated Plan funds and their uses are governed by the City's 2009 – 2012 Consolidated Plan for Housing and Community Development and its annual updates and amendments. The proposed legislation amends the Consolidated Plan and the 2012 Adopted budgets for the Human Services Department, the Office of Housing, and the Office of Economic Development to match the actual awards from the federal government and to provide for additional General Fund expenditures to backfill some shortfalls in these federal revenue sources.

We will also discuss a second allocation from the U.S. government, to Seattle, of 2011 ESG funds, of which we were notified in November 2011. The proposed legislation approves an expenditure plan for these funds as well.

The following table describes the differences between the estimated awards included in the 21012 Adopted Budget and the actual awards:

Program	2012 Adopted Budget	2012 Actual Award	Difference
Community Development Block Grant	\$10,200,000	\$9,267,515	(\$932,485)
HOME	\$4,065,901	\$2,610,286	(\$1,455,615)
Emergency Solutions Grant	\$579,707	\$929,144	\$349,437
HOPWA	\$1,706,000	\$1,814,768	\$108,768
Total	\$16,145,018	\$14,621,713	(\$1,523,305)
	2011 Adopted	2011 Actual	Difference
2011 Emergency Solutions Grant	\$529,053	\$826,645	\$297,592

The proposed legislation implements the Mayor's recommendations to address these budget differences. The table in Attachment A provides the details of our reduction and reduction mitigation proposals.

HOME Reduction

The HOME figures represent an approximately 36% reduction. The Office of Housing uses HOME funds for homebuyer programs, affordable rental housing preservation and production, and administration. The reduction in the HOME allocation will be applied on a pro rated basis to all three program areas. Unexpended balances in prior years' HOME Administration allocations are available and will be used to make up for a part of the loss. The total amount available is approximately \$190,000, and much of it will be used to backfill 2012 HOME Administration activities. The remaining gap of (\$1.3 million) is not proposed to be backfilled and will represent a reduction in programming related to multi-family production and first time homebuyer loans.

HOPWA Increase

The HOPWA increase will not have a material effect on existing contracting or service levels since the 2012 funding level of \$1.814 million is basically on par with the 2011 actual allocation for HOPWA of \$1.809 million.

CDBG Reduction and ESG Increase

While the CDBG reduction is unfortunate, the ESG increases in 2011 and 2012 allow us a way to offset those reductions. The proposed legislation uses the second allocation of 2011 ESG to free up other resources that can be used to backfill the loss of CDBG support for homeless shelters and services, ensuring no loss of services from our planned 2012 levels. Additional CDBG funds from program income increases and prior year unexpended funds can make up another portion of the CDBG reduction. Finally, the use of available General Fund is proposed to make up a remaining deficit of \$108,190.

ESG funds not needed to support current programming levels will be allocated to HSD's planned Communities Supporting Safe and Stable Housing RFI, for contracts beginning January 2013.

CDBG Historical Trend

Because CDBG resources fund high priority programs and services within the City, we have been fairly successful in mitigating this and prior years' reductions in the CDBG program;

however, we are uncertain about our ability to provide relief for future funding reductions. Our current year award is only 61% (not adjusted for inflation) of the amount we received in 2001. Attachment B contains the detail of the past 11 years.

Michael Look from the CDBG Administration Unit in HSD and staff from the Office of Housing and the Office of Economic Development will be available at your April 25th meeting to discuss these changes and answer your questions.

Attachment A

I. CDBG Funding Summary - (9%) CDBG Reduction from the 2012 Adopted Budget

Expenditure Summary

		2012 Adopted Expenditures	2012 Revised Revenues	Gap	2012 Revised Expenditures	Balancing Solution	Remaining Gap	Considerations
Public Services	Public Services - Subject to 36% HUD Spending Cap	3,770,340	3,439,995	(330,345)	3,439,995	330,345	0	The 2012 actual HUD allocation of Emergency Shelter Grant (ESG) funds is \$350k <u>greater</u> than anticipated in the 2012 Budget, and is available to for redistribution to backfill CDBG-funded Public Services programs.
Program	CDBG Programs	5,147,803	4,653,853	(493,950)	5,132,803	493,950	0	Program income, other revenue sources and previous year fund balances are available to fund 2012 Program expenses.
Admin & Planning	Admin/Planning - Subject to 20% HUD Spending Cap	1,954,521	1,846,331	(108,190)	1,846,331	108,190	0	The 2012 Admin/Planning expenses do not exceed the HUD admin/planning cap of 20%. No action is required to maintain the spending cap, however the Executive proposes to manage the \$108,190 gap by reducing CDBG funding of Admin/Planning and increase General Fund Support to backfill for this reduction.
Total		10,872,664	9,940,179	(932,485)	10,419,129	932,548	0	
Adjustments to match Annual Allocation Plan figures								
	HomeWise expenditures backed by prior year's HomeWise program income	435,000			435,000			Expenditure is already included in the Allocation Plan
	Additional OH Multi-Family expenditures backed by additional MF program income				100,000			Revenue-backed expenses; OH forecasts increase program income in Multi-Family loan repayments
	Additional OED expenditure for S 108 program backed by S 108 loan fees				48,261			HUD determination that existing Section 108 loan fees must be treated as CDBG funds and included in AAP
	Calculation errors	887			(1,283) 887			
Annual Allocation Plan Total		11,308,551			11,001,994			

II. HOME Funding Summary - (36%) HOME Reduction from the 2012 Adopted Budget

	Program Description	2012 Adopted Expenditures	2012 Revised Revenues	Gap	2012 Revised Expenditures	Balancing Solution	Remaining Gap	Considerations
HOME Program	Homebuyer Loans	914,828	587,314	(327,514)	587,314		(327,514)	Approximately 6 fewer first time homebuyer loans will not be made as a result of this reduction. Reducing CDGB reduces our ability to leverage funds (4:1 ratio) and limits the unique ability to loan CDBG funding.
	Low Income Multi-Family Development	2,744,483	1,761,943	(982,540)	1,761,943		(982,540)	Approximately 12 fewer housing units will not be built as a result of this reduction. Additionally, reducing CDGB reduces our ability to leverage funds (4:1 ratio).
	Subtotal	3,659,311	2,349,257	(1,310,054)	2,349,257	0	(1,310,054)	
HOME Admin	Admin - Subject to 10% Spending Cap	406,590	261,029	(145,561)	261,029	145,561	0	OH will tap past unexpended balances of HOME Admin to offset the reduction in 2012. The total amount available is approximately \$190k.
Total		4,065,901	2,610,286	(1,455,615)	2,610,286	145,561	(1,310,054)	

Attachment B

Annual CDBG allocation from the federal government over the past 11 years has decreased significantly in absolute (non-inflation adjusted) terms.

Year	Entitlement Award	% of 2001
2001	\$15,282,000	100.00%
2002	\$14,882,000	97.38%
2003	\$15,083,000	98.70%
2004	\$14,803,000	96.87%
2005	\$14,038,888	91.87%
2006	\$12,622,401	82.60%
2007	\$12,587,742	82.37%
2008	\$12,022,310	78.67%
2009	\$12,072,279	79.00%
2010	\$13,058,449	85.45%
2011	\$10,729,471	70.21%
2012	\$9,267,515	60.64%

CDBG Entitlement History

